



July 1, 2005

Northwest Pilot Project Comments Re: Docket No. 05-015-1

Executive Summary

Background:

The Northwest Pilot Project (NWPP) was formed in 2004 with the support of the cattle and dairy associations, state government animal health agencies, state brand inspection agencies, and every segment of the cattle industry in California, Hawaii, Idaho, Nevada, Oregon, Utah and Washington. Recognizing the unique nature of the cattle industry in the Northwest, cattle producers from across the region came together through the NWPP to implement a model of the National Animal Identification System (NAIS), using real world scenarios to identify challenges in implementing the system, and most importantly, to find solutions to those obstacles.

Over the past eight months, the NWPP has enrolled over 20,000 head of livestock in the project and is using a variety of identification methods to track these animals from birth to death within the normal flow of commerce present in the Western states. The following response to USDA's request for input into the development of the NAIS, as requested in Docket No. 05-015-1, is based on the experience we have had through the NWPP, and includes solutions for the elements of the NAIS that we feel need to be modified in order for the system to be successfully implemented throughout the nation and particularly in the western U.S.

Please refer to the attached comments from the NWPP for a more thorough explanation (including examples from the NWPP database) of the following points and more specific answers to the questions posed by USDA.

Primary Issues of Concern:

☒ **The NAIS must recognize group lot ID as a viable option for the cattle industry.**

One of the most important options for tracking animal movements is group lot identification, yet the current NAIS Draft Program Standards all but dismisses its use for the cattle industry. The Draft Program Standards states that group lot identification for cattle is only acceptable "if they are managed and moved through the production chain as a group" (page 12, Goals, Key Components and Guiding Principles).

Often, groups of animals are moved and managed together in situations where uniquely identifying individual animals is virtually impossible without causing a serious and often detrimental change in the way business is conducted. Given the remote locations of many Western cattle operations, reading an individual ID tag is difficult at best, if not impossible. Even if handling systems, that would enable the reading of individual identification numbers,

are available they are typically not used when shipping cattle because of the amount of time involved, the shrink in animal weight that occurs, and the risk of injury to the livestock. In these types of scenarios, group lot animal identification mirrors the natural flow of commerce and how business is conducted by these producers and should be fully supported in the NAIS.

Through the NWPP, we have seen that producers will gravitate to the form of identification that most closely mirrors the way they do business and that is effective and efficient for their operation. The NWPP has clearly shown that while group lot identification will not work in certain circumstances; in some production scenarios, it is the only way cattle can be identified and their movements recorded. Thus, the group lot concept is critically important for moving the NAIS forward in a productive and effective way.

☑ The NAIS must mirror the flow of commerce and minimize barriers of compliance.

Our experience in recruiting producers in the NWPP has shown that the most important factor in the future success of the NAIS is developing a system that mirrors the natural flow of commerce and minimizes the barriers of compliance for producers. There are several key issues in the current NAIS Strategic Plan that conflicts with the current flow of commerce and are significant barriers to compliance. They include group lot identification (discussed above), confidentiality, and cost of adoption.

A significant barrier of compliance is the issue of confidentiality. Whether real or perceived, producers are concerned that a government database will expose the industry to additional liability and risk. One of the ways that this barrier can be minimized is through having an industry controlled database at the heart of the NAIS system (as discussed in more detail below). A private database would not only provide an additional firewall to protect producer information, but it would also lead to more ready acceptance and adoption of the NAIS by producers. At the same time, an industry controlled database would in no way limit the information that could be provided to federal and state animal health authorities when needed.

Further, the costs of adoption of the NAIS also has the potential to be a major barrier of compliance and will also play a significant role in determining if and when a mandatory system will be required. There will be a higher level of voluntary industry participation, and the speed of adoption of the NAIS will be significantly faster if the costs are minimized through an efficient system which mirrors the flow of commerce.

☑ The database for the NAIS should be an industry-led, privately managed system.

The NWPP feels that the animal tracking database for the NAIS must be developed by the industry. The impact of the NAIS currently being developed by the USDA will be more directly felt by the industry than any other stakeholder engaged in the process. Therefore, the industry should control the system since the largest impact, both good and bad, will be borne by the industry.

The NWPP feels that the NAIS database should be developed, managed, and maintained by a neutral, industry-driven, private, non-profit consortium. It is critically important that the NAIS is developed in a way that will encourage industry participation while simultaneously

providing animal health authorities with the information they require for disease tracing purposes. An industry database also provides additional protection for keeping the information submitted by producers as part of the NAIS confidential and outside of the public domain.

If the NAIS has value in the marketplace, producers will be quicker to adopt it and invest in the system, because the marketplace will help pay for system implementation. The NAIS, in and of itself as designed by the USDA, has little or no marketplace value to the individual producer within the cattle production chain because by definition, its purpose is to only provide animal health traceability, which provides a reduction of risk to the industry as a whole but creates little value directly to the producer. The NAIS can serve as the backbone, with other service providers, and provide value-added propositions currently in demand, such as age verification, source verification, and quality traceability. We strongly feel that identifying these types of ever changing value-added opportunities, integrating them into the NAIS, and utilizing them in the marketplace is clearly more effectively accomplished through an industry sponsored identification system.

There will never be enough federal or state government resources to pay for and provide all of the necessary infrastructure, training, or other system components essential to the successful execution of the NAIS. Therefore, market incentives, operating through an industry-led system, must play a major role in moving the NAIS forward.

☒ The NAIS must be implemented faster than USDA's timeframe allows.

Generally, we feel that the USDA timeframe for NAIS implementation, calling for a mandatory and functional system by January 2009, is not aggressive enough. During the eight months that we have been working on the NWPP, there has been a dramatic transition in the attitudes of producers in this region regarding the NAIS. As the industry has become more informed about identification issues and market pressures, producers realize that in order for the U.S. cattle industry to maintain our competitive edge in the global marketplace, the NAIS must be initiated within a very aggressive time frame. As an alternative, we believe that an industry-led database will allow for more rapid adoption of the NAIS and broader implementation of the program across the industry, thereby helping the U.S. remain as a major player in the world beef market, while at the same time, protecting animal health at an unprecedented level in our country.

In order for the U.S. cattle industry to remain competitive in the global beef market and to meet the demands of domestic and foreign consumers alike, we must quickly and rationally implement the NAIS. Each year that we wait is another year our customers will look to other suppliers that can provide the beef products that meet their demands. As foreign markets for beef consider reopening their borders since the discovery of BSE in North America, our efforts to regain a significant portion of our global market share will be hampered because of the lack of a national animal tracking program in the U.S. It appears that the USDA's ability to accelerate the implementation of the NAIS is very limited, mostly because of the due process that comes along with being a government entity. This is unacceptable and the NAIS must move at a much more accelerated pace than what the USDA currently supports.